

# TALKING POINTS ON WHY GOP HEALTH CARE TAX CREDIT DOESN'T PROVIDE MEANINGFUL HELP TO LAID-OFF WORKERS

House Democrats have begun a discharge petition process for bringing to the House Floor meaningful health care relief for laid-off workers. This Democratic health care relief package includes three key components: 1) providing premium assistance for unemployed workers eligible for COBRA; 2) a temporary Medicaid option for unemployed workers not eligible for COBRA; and 3) a temporary enhanced federal matching rate for Medicaid.

Unfortunately, House Republicans are opposing this package – and, instead, are supporting a GOP health care tax credit for unemployed workers. **This GOP tax credit proposal is a mirage** – which the majority of laid-off workers could never take advantage of. Specifically, the GOP proposal calls for a tax credit to cover 60% of the health insurance premiums that laid-off workers pay – requiring laid-off workers to come up with 40% of the premium on their own. Under the GOP proposal, the tax credit could be used either to purchase employer-based coverage through COBRA or to purchase insurance in the individual health insurance market.

Following is a brief overview of some of the key flaws in the GOP health tax credit proposal:

- **Provides Too Little Assistance: Most Laid-Off Workers Cannot Afford 40% Of A Health Insurance Premium.** The Republican proposal is to provide a tax credit of 60% of the premium for use in purchasing either COBRA or individual health insurance policies. Most laid-off workers would be unable to take advantage of this program. For example, with the costs of a family health insurance policy under COBRA averaging around \$7,000 a year, it is unlikely that many unemployed workers – particularly those with low or moderate incomes – could afford to pay 40 percent of COBRA premium costs while unemployed. Furthermore, for laid-off workers not eligible for COBRA, the costs of a family health insurance policy obtained in the individual health insurance market – which had decent coverage and a reasonable deductible – would, in many cases, be even higher.
- **Provides No Guaranteed Access to Affordable Health Coverage.** The aspect of the GOP plan that would make the tax credit available for the purchase of insurance in the individual health insurance market is particularly problematic. The individual market is largely unregulated and lacks the advantages of group insurance purchased through employers. Many plans sold on the individual market impose high deductibles and offer limited coverage. Furthermore, premiums in the individual market can vary based on risk factors such as age and medical history. The GOP proposal lacks substantive insurance market reforms to ensure that individual health insurance policies that provide adequate coverage will be made available at affordable prices to unemployed workers in the individual health insurance market.

- **Greatly Restricts Eligibility.** The GOP proposal is tied to eligibility for unemployment benefits – that is, the health tax credit is only available to those laid-off workers who are receiving these benefits. This excludes many laid-off workers – including part-timers, temporary workers and workers who have not worked in the same job for a long enough time. Indeed, currently, the majority of laid-off workers do not get unemployment compensation. Specifically, even though about 8 million Americans are currently out of work, only about 48% are receiving unemployment benefits. This has been a growing problem in recent years. As a result, a majority of laid-off workers wouldn't even be eligible for the GOP health tax credit.
- **Is A Step In Undermining Employer-Provided Health Coverage.** Many Democrats are concerned that the GOP health care tax credit for the unemployed is the camel's nose under the tent for GOP efforts to broadly undermine employer-sponsored health insurance. Indeed, for years, Ways and Means Chairman Bill Thomas and Majority Leader Dick Armey have sought to undermine the link between employment and health benefits. Rep. Thomas has repeatedly called employer-provided coverage "fatally flawed." Hence, it is clear that, if the GOP health tax credit for the unemployed were to be enacted, subsequent GOP efforts would be made to broaden this credit into a general individual health insurance tax credit that could be used to purchase insurance in the individual market by employed as well as unemployed individuals. Such an individual health insurance tax credit would have serious negative effects. For example, it would almost certainly encourage significant numbers of businesses not to offer health insurance to their employees.
- **Is A Giveaway to HMOs and Private Insurers.** Finally, there is no requirement under the GOP plan that the tax credit be used for decent coverage. Without a guaranteed minimum benefit package, the tax credit would line the pockets of HMOs and other insurers. Under the GOP plan, these private insurers need not offer any real coverage to people and need not charge affordable premiums to anyone deemed by them to be high risk. Instead, under the GOP plan, these private insurers' inadequate, unregulated insurance policies would be subsidized by the taxpayer!